

### Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding. Pay plan funding from HB 447 is also included in the table.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	36.75	0.00	7.00	43.75	0.00	7.00	43.75	43.75
Personal Services	2,618,625	(572,292)	442,464	2,488,797	(572,143)	513,955	2,560,437	5,049,234
Operating Expenses	852,235	11,439	3,496	867,170	12,242	4,939,841	5,804,318	6,671,488
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	1,000,000	1,000,000	0	10,120,000	10,120,000	11,120,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	8,282	0	4,560	12,842	0	4,560	12,842	25,684
<b>Total Costs</b>	<b>\$3,479,142</b>	<b>(\$560,853)</b>	<b>\$1,450,520</b>	<b>\$4,368,809</b>	<b>(\$559,901)</b>	<b>\$15,578,356</b>	<b>\$18,497,597</b>	<b>\$22,866,406</b>
General Fund	1,438,349	(259,731)	230,790	1,409,408	(256,752)	(275,368)	906,229	2,315,637
State/Other Special	290,435	(42,344)	(1,561)	246,530	(42,085)	106,907	355,257	601,787
Federal Special	1,750,358	(258,778)	1,221,291	2,712,871	(261,064)	15,746,817	17,236,111	19,948,982
<b>Total Funds</b>	<b>\$3,479,142</b>	<b>(\$560,853)</b>	<b>\$1,450,520</b>	<b>\$4,368,809</b>	<b>(\$559,901)</b>	<b>\$15,578,356</b>	<b>\$18,497,597</b>	<b>\$22,866,406</b>

### Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are the deputy director, state Medicaid director, legal affairs, personnel services, public information, the Prevention Resource Center, the AmeriCorps\*VISTA Program, as well as the Office of Planning, Coordination, and Analysis. The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

### Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The FY 2007 Director's Office budget increases \$14 million in federal funds, compared to the FY 2004 base budget, due to two Medicaid redesign recommendations (HIFA waiver and waiver of deeming – discussed in detail in the DPHHS overview)</li> <li>◆ General fund costs in the 2007 biennium budget are lower than base budget costs because: <ul style="list-style-type: none"> <li>◆ One time department wide termination payouts were removed from the base budget</li> <li>◆ The legislature removed \$0.5 million in general fund due to anticipated savings in Medicaid services administered by other programs and added language in HB 2 that the savings could be allocated among other programs</li> <li>◆ The legislature removed funding to support a second deputy director position, lowering general fund by about \$74,000 over the biennium</li> </ul> </li> <li>◆ Personal services funding increases to support 7.00 new FTE <ul style="list-style-type: none"> <li>◆ 6.00 FTE are due to a reorganization of the Budget Unit from the Operations and Technology Division</li> <li>◆ 1.00 FTE was added by legislative initiative to support Tribal programs</li> </ul> </li> </ul>	

**Program Narrative**

The FY 2006 appropriation for the Director's Office is about \$0.9 million higher than FY 2004 base budget expenditures and in FY 2007 the appropriation grows about \$15 million compared to the base expenditures. The significant increase in FY 2007 is due to the \$14.25 million federal appropriation for the HIFA (Health Insurance Flexibility and Accountability) waiver – the center of the executive Medicaid redesign proposal, which is discussed in greater detail in the agency overview. The Medicaid redesign recommendations, including legislative action on the policy options, are discussed in the agency overview because more than one division is affected and because of the major policy issues associated with the recommendations. The appropriations are attached to the Director's Office, but directly affect programs and expenditures in three other divisions – Health Resources, Operations and Technology, and Addictive and Mental Disorders divisions.

Present law changes for the Director's Office are negative for both years of the 2007 biennium due to removal of department wide termination payouts of about \$835,000. Other operating and personal services cost increases offset part of the general fund reduction due to removal of termination costs.

Agencies must pay accumulated annual leave and overtime leave as well as a portion of unused sick leave when employees retire or leave state employment or when their positions are eliminated due to a reduction in force or reorganization. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed from the base budget as a one-time expense. Since termination payouts are funded from a combination of general fund, state special revenue and federal funds, removal of termination costs accounts for a reduction of about \$354,000 general fund and \$61,000 state special revenue from the base budget compared to the annual requests for the 2007 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs.

Other significant increases and decreases in the Director's Office 2007 biennium appropriation are:

- Incorporation of a reorganization of 6.00 FTE and funding for the Budget Unit from the Operations and Technology Division
- Legislative initiative to add funding for 1.00 FTE for Tribal programs
- Legislative reduction of \$500,000 general fund in FY 2007 due to legislative initiatives to fund staff and legislative approval of executive appropriation requests to better manage Medicaid expenditures in all Medicaid services
- Legislative reduction of \$200,000 over the biennium (including about \$74,000 general fund) to remove funding for a second deputy director position

If the major changes, including the reorganization, are netted out, the 2007 biennium appropriation for the Director's Office closely resembles funding and FTE levels in the base budget year.

The legislature added language to HB 2 directing how the funding appropriated for Tribal programs must be spent. However, the Governor struck the language from the bill. The language that was stricken required the funds be used to:

- Develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff
- Identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid pass-through funding for allowable costs

The legislature also required the department to report to the Legislative Finance Committee on the use of the appropriation.

### Biennial Comparison

Figure 18 shows the 2005 biennium expenditure and appropriations (about \$6 million) compared to the appropriation for the 2007 biennium (about \$23 million). The 2007 biennium grows \$17 million because of the two additions for federal funds to implement Medicaid redesign recommendations. General fund support for the 2007 biennium is about \$0.1 million lower than the 2005 biennium due to general fund reductions made by the legislature and due to removal of one-time termination payouts in the base budget.

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

Figure 18 2005 Biennium Compared to 2007 Biennium Director's Office					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	36.75	43.75		7.00	19%
Personal Services	\$4,382,026	\$5,049,234	22%	\$667,208	15%
Operating	1,493,216	6,671,488	29%	5,178,272	347%
Equipment	0	0	0%	0	n/a
Benefits/Claims	0	11,120,000	49%	11,120,000	n/a
Debt Service	20,478	25,684	0%	5,206	25%
Total Costs	<u>\$5,895,720</u>	<u>\$22,866,406</u>	<u>100%</u>	<u>\$16,970,686</u>	<u>288%</u>
General Fund	\$2,422,636	\$2,315,637	10%	(\$106,999)	-4%
State Special	495,745	601,787	3%	106,042	21%
Federal Funds	<u>2,977,339</u>	<u>19,948,982</u>	<u>87%</u>	<u>16,971,643</u>	<u>570%</u>
Total Funds	<u>\$5,895,720</u>	<u>\$22,866,406</u>	<u>100%</u>	<u>\$16,970,686</u>	<u>288%</u>

Program Funding Table Director's Office							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Funds	\$ 1,438,349	41.3%	\$ 1,409,340	32.3%	\$ 904,908	4.9%
	01100 General Fund	1,438,349	41.3%	1,409,340	32.3%	904,908	4.9%
02000	Total State Special Funds	290,435	8.3%	246,530	5.6%	355,257	1.9%
	02099 69010-Vista-Community Cost Shr	70,311	2.0%	75,664	1.7%	76,830	0.4%
	02377 02 Indirect Activity Prog 04	220,124	6.3%	170,866	3.9%	178,427	1.0%
	02774 Waiver Of Deeming	-	-	-	-	100,000	0.5%
03000	Total Federal Special Funds	1,750,358	50.3%	2,712,872	62.1%	17,236,111	93.2%
	03072 69010-Cns-Grants-Vista	229,717	6.6%	238,433	5.5%	242,285	1.3%
	03580 6901-93.778 - Med Adm 50%	-	-	52,000	1.2%	5,000,000	27.0%
	03583 93.778 - Med Ben Fmap	-	-	1,000,000	22.9%	10,520,000	56.9%
	03594 03 Indirect Activity Prog 04	<u>1,520,641</u>	<u>43.7%</u>	<u>1,422,439</u>	<u>32.6%</u>	<u>1,473,826</u>	<u>8.0%</u>
Grand Total		<u>\$ 3,479,142</u>	<u>100.0%</u>	<u>\$ 4,368,742</u>	<u>100.0%</u>	<u>\$ 18,496,276</u>	<u>100.0%</u>

The Director's Office is funded by a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by federal oversight agencies.

General fund supports 41 percent of the Director's Office base budget. The total general fund appropriated in FY 2007 is about \$0.5 million less than base budget funding despite the increase due to the reorganization of the budget unit because of the legislative reductions for anticipated Medicaid service cost reductions and to removal of funding to support the second deputy director position, as well as the removal of termination payouts in the base budget.

State special revenue supporting the Director's Office is from two sources - cost allocation, which is the most significant, and community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is also supported by a federal grant.

Federal funds include costs allocated across funding sources (indirect cost allocation), VISTA grants funds, and federal Medicaid matching funds.

### Program Reorganization

The legislature structured appropriations to accommodate a small reorganization that moved the Budget Unit (6.00 FTE and operating costs) from the Operations and Technology Division to the Director's Office. The annual appropriation for the Budget Unit is about \$376,000, including about \$163,000 general fund. The functions of the Budget Unit are cost allocated among all programs in DPHHS.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Statewide present law adjustments for this program show a significant reduction compared to base budget expenditures. Termination payouts for all of DPHHS are recorded in the personnel unit of the Director's Office and divisions with terminations transfer funds to cover the payouts. FY 2004 base budget termination payouts of about \$834,000 were removed, causing the statewide present law adjustments to net to a negative \$0.5 million annually. About 41 percent of those costs would be funded from the general fund.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(445,490)					(445,211)
Vacancy Savings				(86,925)					(86,935)
Inflation/Deflation				(600)					(579)
Fixed Costs				12,039					12,821
<b>Total Statewide Present Law Adjustments</b>				<b>(\$520,976)</b>					<b>(\$519,904)</b>
DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level	0.00	(12,675)	0	12,675	0	0.00	(12,686)	0	12,686
DP 9999 - Statewide FTE Reduction	0.00	(19,532)	(215)	(20,130)	(39,877)	0.00	(19,591)	(216)	(20,190)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$32,207)</b>	<b>(\$215)</b>	<b>(\$7,455)</b>	<b>(\$39,877)</b>	<b>0.00</b>	<b>(\$32,277)</b>	<b>(\$216)</b>	<b>(\$7,504)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$560,853)</b>					<b>(\$559,901)</b>

DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level - The legislature removed \$25,361 general fund from the Director's Office 2007 biennium budget request and raised federal funds by a like amount. This action maintains the 2007 biennium funding mix at the funding mix in the base budget year.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive recommendation to reduce personal services general fund equal to the across-the-board personal services reduction that was made for the 2005 biennium by the 2003 Legislature. The funding reduction is equivalent to 0.75 FTE and has the effect of increasing vacancy savings, since the legislature did not accept the executive proposal to remove the permanent FTE slot.

## New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 149 - Federal Authority to Refinance DD Services										
04	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 188 - HIFA Waiver										
04	0.00	0	0	0	0	0.00	0	0	14,520,000	14,520,000
DP 189 - Waiver of Deeming (Requires Legislation)										
04	0.00	0	0	0	0	0.00	0	100,000	0	100,000
DP 702 - Move Budget Management to the Director's Office										
04	6.00	163,546	9,399	203,022	375,967	6.00	163,387	9,390	202,825	375,602
DP 3420 - Funding for the Prevention Resource Center										
04	0.00	23,472	(9,985)	(13,487)	0	0.00	23,472	(9,985)	(13,487)	0
DP 3602 - Tribal Programs										
04	1.00	52,000	0	52,000	104,000	1.00	0	0	0	0
DP 3621 - Remove \$100,000 from Director's Office										
04	0.00	(37,147)	(6,281)	(56,572)	(100,000)	0.00	(37,146)	(6,282)	(56,572)	(100,000)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	28,919	5,306	36,328	70,553	0.00	74,919	13,784	94,051	182,754
DP 9901 - Reduction for Medicaid Cost Efficiencies										
04	0.00	0	0	0	0	0.00	(500,000)	0	0	(500,000)
Total	7.00	\$230,790	(\$1,561)	\$1,221,291	\$1,450,520	7.00	(\$275,368)	\$106,907	\$15,746,817	\$15,578,356

DP 149 - Federal Authority to Refinance DD Services - The legislature approved \$1 million in federal appropriation authority each year of the biennium to "refinance" general fund program costs either fully or partially with federal funds. The executive budget originally included this request in the Disability Services Division budget. However, the legislature approved and moved the request to the Director's Office so that it could be managed by and coordinated with other department refinancing efforts.

DP 188 - HIFA Waiver - The legislature approved the executive request for federal authority to pursue a HIFA waiver, which is discussed as part of Medicaid redesign in the agency overview. The federal authority appropriated in the Director's Office will be redistributed to other programs, most notably the Health Resources Division and the Addictive and Mental Disorders Division, as the HIFA waiver is implemented.

The executive proposal originally included 6.00 new FTE to administer and manage the HIFA waiver. DPHHS requested that the FTE slots be removed and indicated that modified level (not permanent) FTE would be used as needed.

DP 189 - Waiver of Deeming - The legislature approved \$100,000 of state special revenue for the waiver of deeming proposal. This type of waiver allows DPHHS to exclude parental income and assets in determination of a child's eligibility for Medicaid. DPHHS already administers two such waivers for physically disabled children and developmentally disabled children. Approval of this appropriation allows DPHHS to create a third waiver for children with a serious emotional disturbance or mental illness to become Medicaid eligible without consideration of parental income. These waivers also provide services that are not a standard component of the Medicaid program.

As part of this proposal, DPHHS will request waiver authority to collect co-payments for all children in Medicaid waiver services based on the family ability to pay, with co-payments required for families with incomes above 400 percent of the federal poverty level (\$77,400 for a family of four, based on the 2005 poverty level). Co-payments collected for services will be used to support the state match for additional Medicaid waiver services.

DP 702 - Move Budget Management to the Director's Office - This decision package reflects a minor reorganization undertaken by the department that moves the internal budget management function from the Operations and Technology Division to the Director's Office. The reorganization increases the appropriations for operating costs and personal services by 6.00 FTE.

DP 3420 - Funding for the Prevention Resource Center - The legislature accepted the executive request to add \$46,944

general fund over the biennium to continue the Prevention Resource Center, which manages the state VISTA volunteer program. Federal funding from the VISTA grant may no longer be used to support administrative costs. This funding switch allowed continuation of the program at its current level. This request was added after the printed executive budget was published.

DP 3602 - Tribal Programs - The legislature added \$52,000 general fund and a like amount of federal matching funds over the biennium to fund a new FTE. The legislature added language to HB 2 requiring the department to provide a report to the Legislative Finance Committee on the functions and activities of the FTE, and restricted the appropriation for tribal programs. The legislature outlined the following outcomes for use of the appropriation and funding for an FTE:

- Develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff
- Identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid funds
- Help Tribes maximize Medicaid pass-through funding for allowable costs

This legislative initiative is one of several designed to help expand health services without increasing general fund costs. Since Medicaid services provided by Indian Health Services (I.H.S.) are reimbursed fully from federal funds, the legislature reasoned that helping Tribes access all allowable federal Medicaid funds would strengthen health services on reservations.

DP 3621 - Remove \$100,000 from Director's Office - The legislature removed \$100,000 annually from the Director's Office budget. The general fund reduction is \$74,293 over the biennium. State special revenue was reduced \$12,563, and federal funds were reduced \$113,134. The legislature removed funding that DPHHS had indicated was available to support a second deputy director position.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

DP 9901 - Reduction for Medicaid Cost Efficiencies - The legislature reduced general fund by \$500,000 in FY 2007. The reduction is anticipated due to several funding increases added by the legislature at its own initiative as well as executive requests that the legislature approved. The general fund reduction can be allocated across Medicaid programs and services when the department develops the 2007 biennium operating plans.

The specific proposals that the legislature believes will reduce costs while enhancing access to and quality of care are funding for:

- Staff to work with Tribes to ensure federal reimbursement for allowable Medicaid services provided by Indian Health Services providers
- Medicaid management staff to pursue innovative proposals, such as waiving co-payments for persons who call the "Nurse First" hot line and follow the care recommendations made by the Nurse First responders
- Staff to expand the disease management program and to undertake Medicaid program analysis to identify areas where costs and care can be more efficiently managed
- Contract services to upgrade the Medicaid data management system

### Language

The legislature approved the following language for inclusion in HB 2.

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"Funding for the Director's Office includes a \$500,000 reduction in general fund money in fiscal year 2007 from savings due to activities funded in Tribal Programs to assist Indian health services in claiming additional federal pass-through Medicaid funding. The department may allocate this funding reduction among programs that administer Medicaid services when developing the 2007 biennium operating plans.

Funds in Tribal Programs may be used only to hire an FTE to work with tribes to provide technical assistance on provision of pass-through federal medicaid funding for Indian health services. The appropriation must be used to:

- (1) develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff.; and
- (2) identify and resolve barriers and work on innovative programs for tribes to access federal medicaid pass-through funding for allowable costs.

*The department shall submit a report regarding the use of this appropriation and progress toward these goals on July 1, 2005, and again on July 1 and November 1, 2006, to the members of the 2005 legislative joint appropriations subcommittee on health and human services."*

Funding in Prescription Drug Program -- SB 324 is contingent upon passage and approval of Senate Bill No. 324 and may be used only to implement Senate Bill No. 324."